

Memo



To: Alabama Trust Fund Board of Trustees

From: American Century Investments

Date: February 1, 2017

Subject: Sector Limitations

Pursuant to the Investment Guidelines of the Investment Management Agreement between the Alabama Trust Fund and American Century Investment Management, Inc., dated October 16, 2014, and amended November 30, 2015, "No more than the lesser of (2 times the sector weight in the index and 40%) valued at market may be held in any one economic sector as defined by MSCI ACWI ex-US Small Cap Growth with the exception of sectors that represent less than 5% of the index weight. No more than the greater of (2 times the sector weight in the index and 5%) valued at market may be held in any one sector that represents less than 5% of the benchmark weight."

We would like to request a change to this guideline.

"Sector exposure will be limited to +/-10% relative to the MSCI ACWI ex-US Small Cap Growth Index."

Investment Manager Exceptions to General Investment Manager Guidelines

- **American Century**, the international small cap growth equity ~~manager,~~ will manager, will operate within the international equity guidelines delineated in this Investment Policy Statement except that:
 - Exposure to emerging markets securities shall be limited to the emerging market weight of the MSCI AC World ex-US Small Cap Growth index.
 - 144A securities issued in connection with a foreign public offering are allowed in the portfolio.
 - ~~No more than the lesser of (2 times the sector weight in the index and 40%) valued at market may be held in any one economic sector as defined by the MSCI ACWI ex-US Small Cap Growth Index with the exception of sectors that represent less than 5% of the index weight. No more than the greater of (2 times the sector weight in the index and 5%) valued at market may be held in any one sector that represents less than 5% of the benchmark weight. Sector exposure will be limited to +/- 10% relative to the MSCI ACWI ex-US Small Cap Growth Index.~~
- **Lazard Asset Management**, one of the international equity managers, will operate within the international equity guidelines delineated in this Investment Policy Statement except that:
 - 144A securities issued in connection with a foreign public offering are allowed in the portfolio.
 - Investment in cash equivalents up to 10% of the market value of the portfolio is allowed.
- **Invesco**, one of the international equity managers, will operate within the international equity guidelines delineated in this Investment Policy Statement except that:
 - Sector constraints will be implemented using the MSCI ACWI ex-US Growth Index instead of the MSCI EAFE Index.
 - Where 2X the sector weight of the index (MSCI ACWI ex-US Growth Index) is still less than 20%, the portfolio is permitted to invest up to 20% in such sector.
- **Artisan Partners**, one of the international equity managers, will operate within the international equity guidelines delineated in this Investment Policy Statement except that:
 - MSCI country classifications will be used to classify a company as U.S. or non-U.S. Exposure to U.S. securities of up to 30% of the market value of the portfolio at time of purchase is allowed.
 - No more than the greater of (2 times the sector weight in the MSCI EAFE index and 40%) valued at market may be held in any one economic sector,
 - The portfolio may not purchase securities in private placements other than securities privately placed under Rule 144A or another similar private placement exemption and equity-linked instruments described below.

- The portfolio may invest up to 10% of the market value of the portfolio at time of purchase in listed over-the-counter un-leveraged, equity-linked instruments; provided, however, that the portfolio will not invest more than 5% of the market value of the portfolio at the time of purchase in such instruments issued by a single counterparty.
 - The portfolio may acquire, receive, retain and exercise warrants, rights or similar instruments attached to portfolio securities.
 - Investments in cash and cash equivalents up to 10% of the market value of the portfolio is allowed.
- **Vulcan Value Partners**, the small cap value manager, will operate within the domestic equity guidelines delineated in this Investment Policy Statement except that:
 - Investments in foreign ordinaries is allowed
 - Investment in cash and cash equivalents up to 15% of the market value of the portfolio is allowed.